



Moldova IT Park

Dynamics of development 3rd Quarter, 2019

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Evolution of “Moldova IT Park” development

02

Residents of “Moldova IT Park” in numbers

03

Employees of “Moldova IT Park” residents

Abstract

This report presents the analysis of the „Moldova IT Park” residents’ activity during the 3rd quarter of 2019.

The analysis is based on the data provided by active Park residents, whose obligation was to submit report for the analyzed quarter, as well as on statistical data accumulated by the Park administration.

Being divided into 3 segments, it describes the growth of the Park as a structure, the development of resident companies in terms of their income, main types of activities and realized projects, as well as changes in the number of employees and average salaries in the sector.

These indicators are important to determine the level and degree of development of the Park as a structure that provides a simplified tax regime for IT companies, as well as to confirm the degree of companies’ involvement in the sector processes.

Reporting process

Out of 467 resident companies with the obligation to submit a report for the 3rd quarter of 2019, 322 companies submitted the necessary data in time. This represents 69% of the total number of these companies.

Totally, 449 companies (96%) reported their economic activity in Q3, 2019. Based on these data the report has been prepared.

01 Evolution of “Moldova IT Park” development

The indicators of the “Moldova IT Park” development, such as the number of residents, the number of employees, as well as the companies' revenues, continue to grow.

During this quarter, 53 companies obtained the status of Park residents. Thus, the number of registered residents exceeded 500 companies. At the same time, during this period 5 entities lost their status. Thus, this figure reached 31 companies since the creation of the Park.

As a result, at the end of the quarter, the number of active residents in the Park was 480 companies. Out of this number, 124 companies are those with foreign capital from 32 countries.

At the same time, out of 53 companies that joined the Park during the analyzed quarter, 40 companies were established in 2018-2019. As a result, the total number of newly established resident companies is 190 economic entities.

It should be noted that 39 of the mentioned companies are companies with foreign capital.

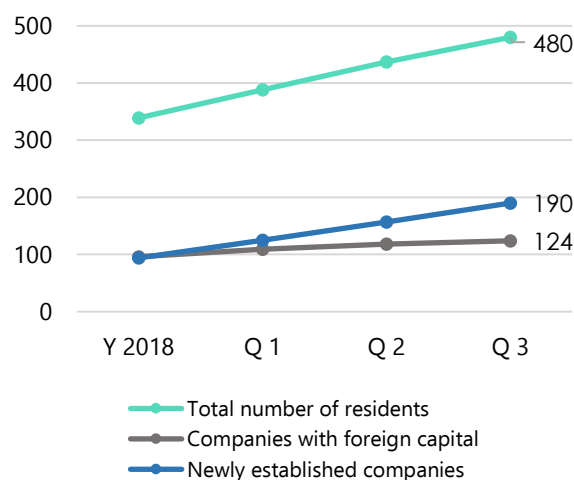
The growth of the total number of resident companies is stable and constant over the 9 months of this year, which demonstrates a positive trend.

The most rapid growth was recorded in March – 5,50% and June – 5,30%. The total growth in the number of residents was 41,60% compared to the recorded result of last year.

At the same time, the number of newly established companies has doubled in comparison with the end of 2018, while the number of companies with foreign capital has grown by 29,2%.

The average quarterly growth rate of companies is 10-11%, which is about 46 companies. The majority of these are companies established in 2018-2019. This result reveals the formation of a fair competitive environment based on the

Growth of residents number by categories



interest of new players in the market sustained by a favorable climate for business development.

As a result of the growth in the number of resident companies, an increase in the amount of forecasted income for 2019 declared by residents, was registered. This figure reached 2,84 billion lei, demonstrating 29% growth compared to 2018.

In this context, it should be noted that the total sales revenue of resident companies for 2018 amounted 2,2 billion lei.

83% of information technology services export of the Republic of Moldova in the second quarter of 2019 was generated by the resident companies of the Park.

At the same time, the share of export of the Park's resident companies in the total export of information services, reflected in the balance of payments of the Republic of Moldova, increased by 3,21% in the second quarter of this year compared to the first quarter, and reached 83%.

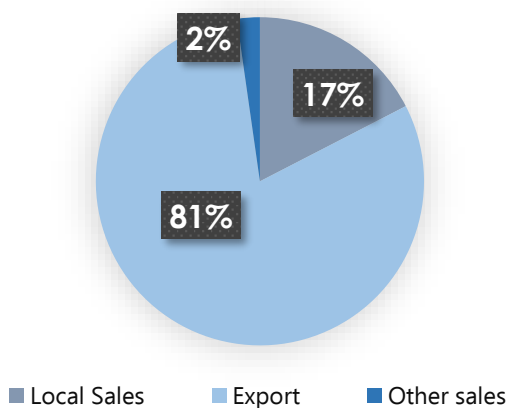
Sales volume of resident companies shows stable growth, and their share in the volume of the country's foreign trade allows to define the scale of the cluster under the aegis of the virtual structure.

02 Residents of “Moldova IT Park” in numbers

Aggregated data, obtained as a result of the companies' activities, reflect upward trends in the Park's development. This fact is determined by the success of each company individually, as well as the general trends of expansion on various markets and lines of activities.

The growth of the total sales volume of resident companies is also due to the increase in the number of companies.

Distribution of sales revenue by categories



Thus, the total residents' income registered in the 3rd quarter constituted 926,55 million lei, registering a growth of 6,92% compared with the previous quarter.

In order to determine the real dynamics of this indicator, there was made a comparison of the income of residents, that reported for the previous period, with their current results. The result allows to draw a conclusion about the positive dynamics of development. The growth of income from sales constituted 42,26 million lei, which is 4,9% of the total mentioned growth.

It should be noted that out of 408 analyzed companies, 217 companies registered sales growth during this quarter.

As a result, the share of newly joined companies' sales in the total volume of sales in the 3rd quarter was 1,91%.

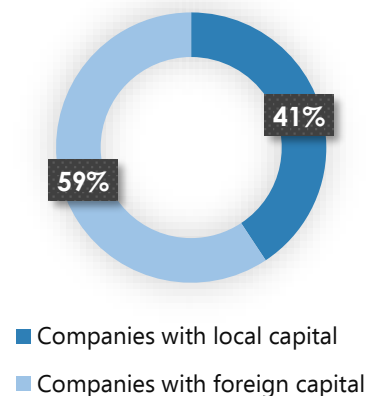
The amount of income received by the Park residents during 9 months reached 2,51 billion lei. This value covers 88,38% of the total forecasted income (2,84 billion lei).

This result gives confidence that the forecast is credible and demonstrates the possibility to predict the dynamics of the industry.

Volume of sales from activities permitted in the Park reached 905,6 million lei, which is 98% of the total sales recorded in the 3rd quarter. This indicator registered 7,11% growth as compared to the previous period.

Foreign markets represent the main consumer of the products formed by the national IT cluster.

Export sales by categories, %



Thus, the total export reached 746,13 million lei in the third quarter, and accounted for 82,4% of the total income from the activities permitted in the Park.

Companies with foreign capital represent the main source of income from export, covering 59% of the total export volume of resident companies during the 3rd quarter, and registering 442,46 million lei.

Representing more than 1/3 of the total number of active companies, the newly established companies (2018-2019), in turn, cover only 12,29% of total export, formed in the 3rd quarter of this year. The received income of these companies' export amounted to 91,71 million lei.

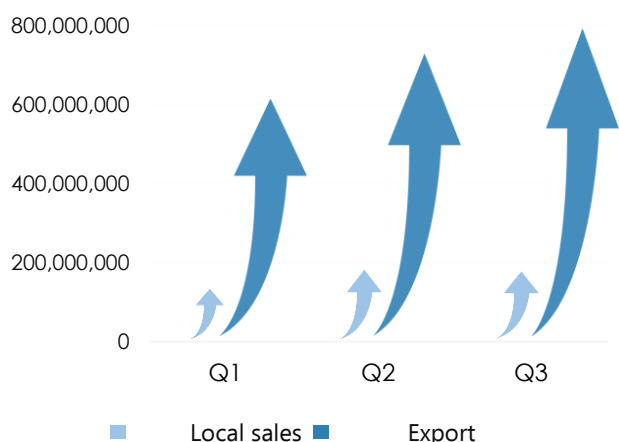
Within 9 months, the volume of export reached 2 billion lei, 4,5 times higher than the income from local trade. This trend was also observed during the previous periods.

Thus, the income from local sales of resident companies in Q3 constitutes 160,83 million lei, recording a decrease in volumes compared to the previous quarter. This trend can be explained by the scale of the local market. The demand of it does not correspond to the potential of companies existing in the market. At the same time, 188 companies formed their income from local sales during the last quarter.

The share of companies with capital from the Republic of Moldova is 77,7% of the income received from local sales.

Despite the fact that the newly established companies are primarily focused on foreign markets, their local sales revenue accounts for 17,75% of total local sales in this quarter.

Growth dynamics of companies' sales by destinations, lei



Summarizing the above, the external market continues to be a priority for companies in the sector, most of which are still exporting their products/services.

Also, 37 residents declared their own products, which are supplied to the internal and external markets. It distinguishes them from others and allows them to place themselves in a competitive environment, increasing the image of the national IT cluster.

Projects

B2B	→	403 companies
B2C	→	115 companies
B2G	→	37 companies

Park residents' projects were targeted to different categories of final consumers. Thus, 403 companies declared B2B projects; 115 companies worked in B2C; and 37 residents developed B2G projects.

Revenues from these projects are the result of various activities allowed in the Park. Thus, the increase in sales on the domestic market for 9 types of activities and for 7 types of activities from exports was registered.

The top activities that have registered growth in local trade includes the following: motion picture, video and television programme post-production activities, limited to services for obtaining special effects – 100%; other forms of education limited to training in computer science – 60%; other research and experimental development on natural sciences and engineering, limited to R&D services of original projects in natural sciences and engineering, except biotechnology – 50%.

Despite the impressive growth, these activities accounted for only 5,25% of total local trade in the third quarter of the year. At the same time, taking into account the fact that the listed activities were added to the list of activities permitted in the Park in July 2018, this growth gives grounds to expect a significant impact on the diversification and development of the national economy.

In turn, the growth of exports is based, in particular, on the growth of income from the following types of activities: motion picture, video and television programme post-production activities, limited to services for obtaining special effects – 162,5%; computer game editing activities – 56,73%; specialized design activities, based on the use of specialized high-performance computing equipment – 34,83%. The share of these activities in total export revenues recorded is 4,44% in 3rd quarter.

Also, in addition to the list of top activities that register significant growth in sales, but the share of which remains insignificant in the total volume, a list of activities with the largest share of income generated during the 3rd quarter is attached.

Local Sales

- 62.01 (customized software development activities) – **58,17%**
- 62.09 (other information technology service activities) – **8,52%**
- 63.11 (data processing, web-page management and related activities) – **7,45%**

Exports

- 62.01 (customized software development activities) – **49,71%**
- 62.09 (other information technology service activities) – **16,95%**
- 63.11 (data processing, web-page management and related activities) – **15,86%**

The presented data demonstrate the compliance of the Park active residents' activities with the legislation, as well as the impact of the benefits provided by the Park on the development of the national IT sector through the creation of their own products, provision of high-quality services, growth of specialists in different niches of the sector.

The impressive results of the sales growth by certain types of activities are confirming the increased entrepreneurship's interest in investing in the local market and proves the opportunity to work in low demanded activities. At the same time, the exposure of these products and services to external markets increases the internal potential of companies and the country itself.

Structural evolution of the IT cluster both on the horizontal axis, by expanding the atypical for the sector projects of development with further strengthening of networks and ecosystem based on IT, and on the vertical one, with newly created companies, attracted specialists, foreign investors, interested partners, new projects for companies, provided a lot of resources to strengthen the economy and create the image of the country in the direction of the IT sector development.

03 Employees of “Moldova IT Park” residents

The number of employees of the Park's resident companies increased simultaneously with the growth of the number of registered residents. This figure reached 9.268 employees in the 3rd quarter, that is 766 people more than in the previous period.

In total, the number of employees within the resident companies has increased by 2.529 people since the beginning of the current year.

In percentage terms, there was 9% growth compared to the previous period, and 37,53% compared to the end of 2018.

Also, excluding companies that joined the Park in the third quarter, the number of employees increased by 382. Thus, the increase in the value of this indicator is not only due to changes in the number of residents, but also to increased demand for skilled labor on the market.

Of the total number of resident employees, 88% are specialists in the sector who carry out the activities provided by the Law No. 77/2016.

Thus, the total number of employees directly involved in IT was 8.130, showing an increase by 646 people. Of the total, 2.384 are women and 5.746 are men, while the ratio remains unchanged.

It should be noted that there is also an increase in the number of foreign employees in resident companies. According to residents' reports, 73 employees are foreign citizens. Of this number, 12 people have applied for „IT Visa” during the quarter. This program allowed to obtain a temporary residence permit on the territory of the Republic of Moldova for 4 specialists and 8 managers.

The employees recruited during the quarter are citizens of China (1), England (1), Germany (1), Iran (1), Italy (1), Malta (1), Romania (1), Russia (3), Ukraine (1) and Venezuela (1).

In total, the „IT Visa” program has 41 beneficiaries since its launch.

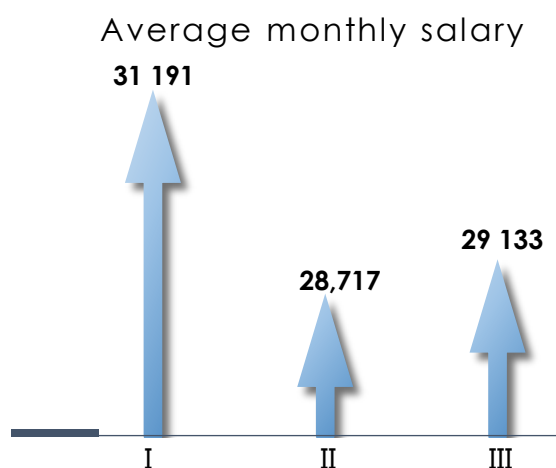
The cluster structure can be analyzed through the size of the Park's resident companies.

The classification is based on the number of employees reported in the 3rd quarter of 2019, which is one of the benchmarks available for the interim calculation. A comprehensive analysis will be included in the annual report.

Nr of employees	Nr of companies	Category
0-49	418	Small
50-249	27	Medium
>250	4	Big

According to this indicator, it can be concluded that the majority of the Park's resident companies are the small ones.

Also, the data demonstrate changes in the salary level of employees involved in IT. This indicator reached 29.133 lei. Compared to the end of the second quarter, the average monthly salary of employees increased by 1,45%.



To determine the reason for the indicator growth, the resident companies, which recorded an increase in the average monthly salary over the period of operation in the Park, were identified.

Thus, out of 237 companies which recorded an increase in average salaries, 105 companies recorded simultaneously an increase in income.

Based on the above, the predominant share of the contribution in the total sales volume was generated by the companies that registered salary growth.